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Management Audit
of the

COMMUNITY DEVELOPMENT DEPARTMENT

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October 11, 1983

The Honorable Council of the
City of Los Angeles

The Honorable Tom Bradley
Mayor of the City of Los Angeles

Mr. Douglas S. Ford,
General Manager
Community Development Department
City of Los Angeles
215 West Sixth Street
Los Angeles, California 90012

Transmitted herewith is the Report of the Management Audit of the Community Development Department. The Audit was initiated at the request of the General Manager.

We recommend that the Mayor and Council request management of the Department to submit a report within 90 days to the City Administrative Officer detailing progress achieved in implementing the recommendations of this Audit. We will then prepare a summary for review by the Mayor and Council.

The Management Audit of the Community Development Department was supervised under my direction by John R. Coombs, Assistant City Administrative Officer, and Al M. Beuerlein, Chief Administrative Analyst. Members of the Audit Team were Robert J. Arata, Luther H. Johnson, Lambertus H. Becker, Daniel J. O'Connor and Jay S. Carsman.

Very truly yours,

Keith B. Comrie
City Administrative Officer

KBC:AMB:ss

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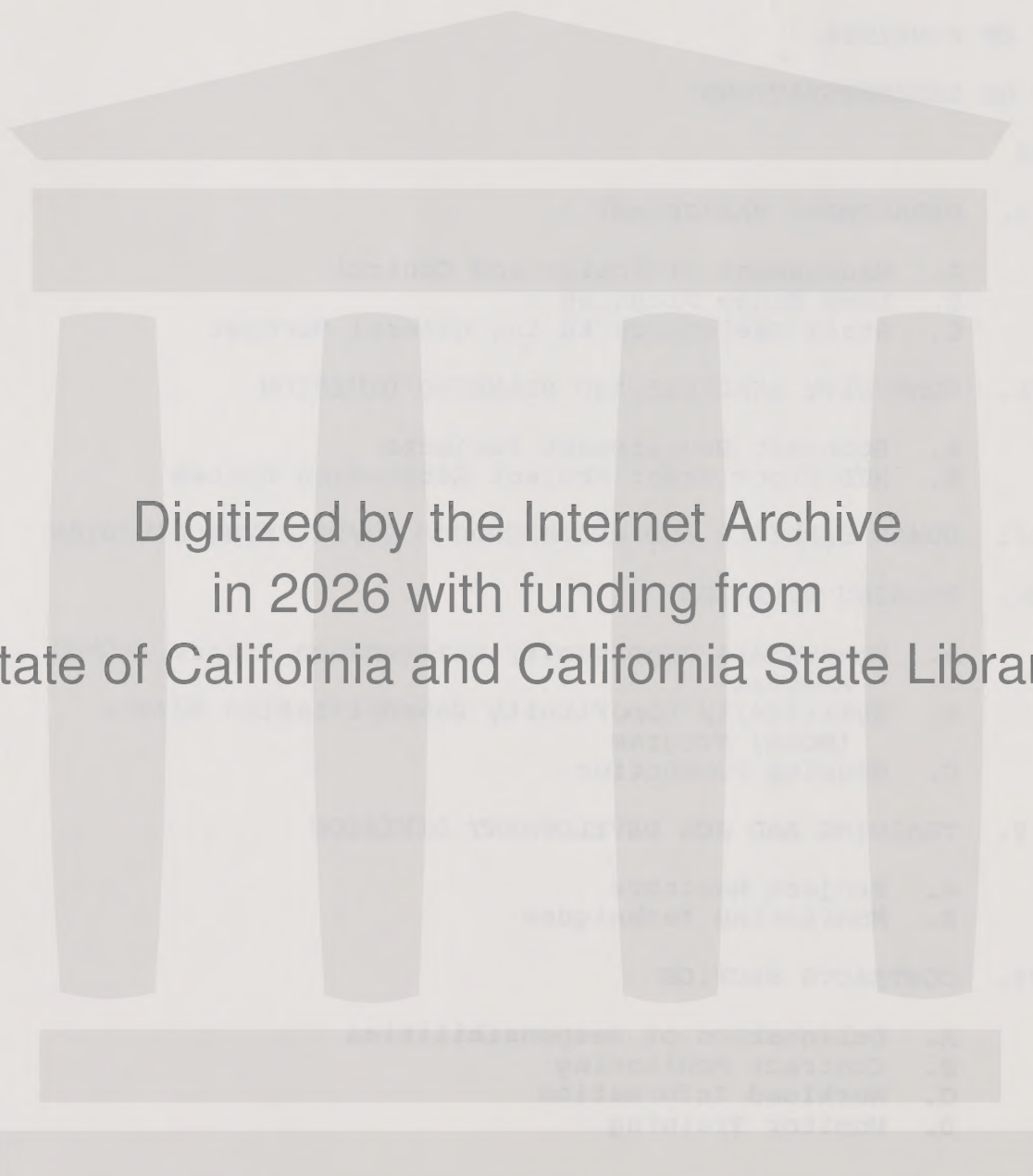
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INTRODUCTION

The Community Development Department, created in 1976 by adoption of Ordinance No. 148,792, became operational on January 1, 1977. The Department did not begin to transact business and exercise its powers until later in the 1977 calendar year. The creation of the Department consolidated in one entity the previously separate functions of the Office of Urban Development, the Office of Training and Job Development, the Office for the Aging, the Community Analysis Bureau, and the City Demonstration Agency. It was intended that the consolidation of the previously separate units in a single department organization would provide a comprehensive approach to the City's community development planning activities, and that the General Manager would use departmental resources to provide a focus for the City's community development program planning. The Department is assigned the responsibility "to plan, develop, propose, carry out and/or cause to be carried out by the appropriate department(s) or agency(ies) those community development programs established by the Mayor and the Council pursuant to federal, state, and local laws, rules, regulations...". Subsequently, in 1979, responsibility for administering the City's Rent Stabilization Ordinance was assigned to the Department.

The Department is headed by a General Manager who is responsible for recommending to the Mayor and Council community development plans and programs; the preparation, maintenance and comprehensive analysis of the City's physical, economic and social conditions; the development of planning strategies to meet identified needs; and the provision of technical assistance and information relative to community development in the City's departments, bureaus and agencies. Specifically, this means that the Department prepares and submits to the Mayor and the Council recommendations on the utilization and application for Community Development Block Grant funds, Comprehensive Employment and Training Act funds, Older American Act (see commentary below regarding transfer of Aging Division functions) funds, Community Services Block Grant funds, Urban Development Action Grant funds, and other related community development resources and financing mechanisms.

Following its creation in 1977 and up to 1982-83, there was a steady increase in the Department's operating budget and the number of employees assigned to implement its programs. The 1982-83 adopted budget for the Community Development Department provided for \$16.9 million to support 569 authorized positions. This is a change from the 1978-79 budget which provided \$8.7 million to support 437 authorized positions. A significant change impacting the Department structure was the assignment of responsibility for implementing the City's Rent Stabilization Ordinance. In 1982-83, the budget for the Rent Stabilization Program was \$1.7 million and 67 authorized positions.

Most recently, three additional changes in Department responsibilities have been approved by the City Council. On one hand, a separate City department has been established to assume the functions of the Aging Division, including its designation as the Area Agency on Aging. Therefore, the resources currently assigned to the Aging Division have been transferred to the new department. The second change arises as a result of another Council action to transfer the Independent Monitoring Unit (IMU) from the Office of the Chief Legislative Analyst to the CDD. The third change results from assignment of administrative responsibilities for Industrial Development Bonds to the CDD. We have not reviewed either of the latter functions in the context of this Audit.

The resources to support the Community Development program come from five basic sources, the General Fund*, the Community Development Trust Fund, the Comprehensive Employment and Training Act, allocations from other governmental agencies, and the Older Americans Act Fund (see Figure 1). Funds from the grant resources are used by the Department to support its administration of the subprograms under the Community Development Block Grant, the Older Americans Act, CETA program and other community development related activities. Excluding the grant resources directly supporting CDD operations, the Department, during the 1982 program year, administered on behalf of the City approximately \$150 million in grant programs, including \$44.8 million in Block Grant funds, \$42.6 million from CETA, \$42.5 million in Urban Development Action Grant resources, and \$9.3 million in programs for the aging. These grant resources are administered by CDD both directly through CDD program operation and through 301 current subgrantee contracts. Although CDD direct program operation has increased in recent years, the majority of funds are implemented through contracts with third party providers. Contract administration, technical assistance, and program review of the contracts is conducted within the various CDD operating divisions. Contract administration by the individual divisions is distributed as follows: Human Services (157), Community Analysis and Planning (40); Training and Job Development (72), Aging (28), and Housing (3).

*General Fund monies derive from the collection of fees pursuant to the implementation of the City's Rent Stabilization Ordinance.

Figure 1

Community Development Department
1981-83 Source of Funds

	<u>1981-82</u>	<u>1982-83</u>
General Fund.....	\$ 2,176,516	\$ 2,170,722
Community Development Trust Fund.....	9,131,313	8,412,057
Allocations from Other Governmental Agencies and Other Sources.....	657,152	339,757
Comprehensive Employment and Training Act--Community Development Fund.....	4,367,657	4,893,202
Older Americans Act Fund.....	<u>1,234,230</u>	<u>1,164,277</u>
Total Funds.....	<u>\$ 17,566,868</u>	<u>\$16,980,015*</u>
Total Positions.....	<u>602</u>	<u>522</u>

*Does not include 1982-83 salary increases.

This first Management Audit of the Community Development Department was initiated at the request of the General Manager of the Department. The Management Audit limited itself to an overview of the management techniques used by the Department to implement its programs and the organizational relationships essential for their implementation. Because this Audit was directed to the activities and operations of the Community Development Department, program evaluation and grant implementation compliance monitoring as performed at the time of the Audit by the Chief Legislative Analyst were not included in our review.

To assist the Audit Team in assessing the performance of the CDD and to identify possible management alternatives for coping with the foreseeable changes in grant funding, contacts were made with the Los Angeles County Community Development Department and with the Federal and State grantor agencies from whom the CDD's funds derive.

Consistent with the usual practice of this Office, the findings and recommendations were provided to the Community Development Department management for comment regarding errors of fact for consideration in finalizing the Audit Report. We would like to acknowledge the assistance and cooperation shown

by the officers and employees of the Community Development Department during the course of the Audit.

Summary of Findings

The Community Development Department has a budget encompassing all elements of the Department, and an organization structure with lines of authority describing relationships between the various divisions and the General Manager. It has centralized accounting, budgeting and personnel functions. Within this overall format, the individual divisions of the Department operate with considerable independence. Over the last two and one-half years, the majority of CDD program components and funding policies have undergone extensive revision. Significant accomplishments in program production and implementation have resulted in some instances; however, definitive internal policies, structure and operating procedures have not been finalized to incorporate these changes. Operating divisions are not fully coordinated with support operations, thus impairing administrative efficiency.

The Department's organizational goals and objectives are in flux and are not clearly understood by the staff. Long range planning in the Department has been highly centralized at the General Manager level. While this practice has been unavoidable in specific instances, its continuation will pose serious coordination problems. This is a matter of concern requiring management attention because the diversity of the grant programs administered by the CDD necessitates a conscious effort to structure them to provide the maximum benefit to the City and the citizens of Los Angeles.

While a series of improved internal operating systems have been fully or partially implemented, these implementation efforts appear to have suffered from cutbacks in funding levels and staffing and are not fully instituted at present. Uniform operating procedures are not yet implemented Department-wide, and internal management control and reporting practices are uneven. Specific continuing difficulties exist in the management information area. Basic information about funding, resources, contracts, including the number of grantees served by basic geographical areas (Council Districts), was not generally available in any single place within the Department.

Restructuring of the Community Analysis and Planning Division is indicated to reflect various changes in program emphasis. The Department has begun this task on its own initiative. We have identified problems in the Housing and Community Development Block Grant Project Accounting System which require attention at the earliest opportunity.

The Housing Division operates a number of programs which provide funding for both rehabilitation and production of

housing units. The Homeowner's Opportunity Maintenance Effort (HOME) Program has fallen short of its goals (units rehabilitated) each year since its inception six years ago, but performance was improving significantly at the time of the Audit. Factors beyond the control of the City work to diminish the success of the Multifamily Opportunity Rehabilitation Effort (MORE) Program, including the critical shortage of federal funds for FHA and GNMA mortgage insurance and unrealistic HUD regulations relating to acceptable mortgage interest rates. Economic conditions and declining Federal funding have also negatively impacted housing production efforts, forcing the Department staff to aggressively pursue alternative financing measures.

Continuing major cutbacks in federal funding for the Comprehensive Employment and Training Act (CETA) Program have imposed major reductions of staff in the Training and Job Development (T&JD) Division. At the time of the Audit, the intentions of the Federal Government with respect to the future of CETA were unclear; a factor which introduced confusion and speculation into the Department's management of the Program. Our review determined the T&JD Division has not completed standardization of policies regarding the review and monitoring of subgrantees in the CETA Program, despite requirements in the CETA Annual Plan submitted to the Department of Labor.

Contract processing, a critical support activity in the Department, is in need of specific management attention with respect to improving monitoring controls in the Contracts Section, developing a departmental plan for contract preparation, accessing status information and measuring workload, and improving the training of contract analysts in the operating divisions.

The City's Rent Stabilization Ordinance is administered by a separate division of the CDD. There are several measures indicated in our review which would improve operation in this area. Procedures require formalization; program information is not yet centralized; public information distribution can be expanded; and, greatly increased use should be made of the Department's Word Processing Center.

There are some basic unmet needs with respect to administrative support systems. The lack of a reliable position control system, inadequate equipment inventory practices, and a continuing concern regarding the quality and quantity of word processing service are examples of some of these needs.

There are few current overall policy or procedure guidelines for certain basic departmental activities. For example, there is no standardized departmental program/project monitoring guide, although such a guide is greatly needed as a

staff tool to provide stability and consistency to the Department's monitoring efforts. The project control and management information systems efforts require continued management attention. Past attempts to implement such systems have been intermittent at best and have lacked significant commitment.

Administrative discipline at the mid-management level lacks strength and is not consistent. Management has not demanded uniform performance from staff in the past. Recent efforts in this area are not sufficiently broad or extensive. There are significant absenteeism problems at many levels. Telephone coverage is inefficient.

Summary of Recommendations

A. That the General Manager of the Community Development Department:

1. Establish a formal reporting system for division heads, consisting of periodic reports, review and followup. (See pgs. 15-16)
2. Require the Assistant General Managers to exercise direction and control over their assigned organizational units and to be responsible for program performance within their respective areas. (See pgs. 15-16)
3. Identify the development of a long-range planning capability which specifies centralized and decentralized responsibilities for Department and division managers, respectively, as an important management objective. (See pgs. 16-17)
4. Consolidate all economic development activities of the Community Development Department in a single organizational unit charged with the focused responsibility to develop viable cooperatively-financed project proposals to alleviate economic deterioration. (See pgs 19-21)
5. Take the following actions to improve the HCD Block Grant Project Accounting System:
 - a. Focus Department efforts on improving the existing HCD Block Grant Project Accounting System, and from this single master file data base generate data relative to the HCD Block Grant that is now developed independently, in part by the Community Analysis and Planning Division and in part by the Accounting Division.
 - b. Require the reconstituted Community Analysis and Planning Division to continue to operate, maintain and further develop the existing HCD Block Grant Project Accounting System.
 - c. Require the Chief Accountant to certify monthly to Department management the accuracy of the data on the reports produced by the HCD Block Grant Project Accounting System; or to specifically identify inaccuracies, for cooperative resolution by personnel assigned to concerned divisions.

- d. Instruct the Chief Accountant to designate a qualified individual to become knowledgeable about the Block Grant Project Accounting System and facilitate communications between the Accounting and reconstituted Community Analysis and Planning divisions.
- e. Require the Community Analysis and Planning Division to structure its Monthly Financial Report to retain for display the expenditure and encumbrance data exactly as obtained from the Controller. (The lone exception to this approach is that the Department should continue to reinstate those items deleted by the Controller because the budgeted amounts have been fully expended.) The Monthly Financial Report can then be supplemented with additional columns of data to make it more useful.
- f. Consider the advisability of additional changes to the HCD Block Grant Project Accounting System in the areas of:
 - * Project identification.
 - * Pre-encumbrance commitments.
 - * Programs administered by City departments.
 - * Accounting for annual entitlements, drawdowns and program income.
- g. Consider incorporating the revised HCD Block Grant Accounting System in the current plans to implement an automated financial management information system for the Department.

(See pgs. 21-22)

6. Direct the further consolidation of HOME Program field offices in the event that Block Grant funds continue to decline. (See pgs. 25-28)
7. Reduce the number of levels of review of HOME Program deferred loan packages so that processing time is reduced. (See pgs. 28-29)
8. Establish a formal internal review procedure to examine factual circumstances when any CDD employee applies as a client for, or may otherwise benefit from, any Department-administered grant-funded program. (See pg. 29)
9. Instruct the Director, Training and Job Development Division, to take the following steps to improve project monitoring:

- a. Relieve project monitors of the responsibility to conduct an in-depth review of subgrantee invoices and assign this responsibility exclusively to the Accounting Division.
- b. Review Training and Job Development correspondence and develop standardized responses to be retained in word processing memory for routine requests such as health exemptions, routine travel, and minor budget adjustments.

(See pgs. 35-38)

10. Take the following steps to standardize project monitoring:

- a. Instruct Training and Job Development Division management to complete a standardized project monitoring guide. (The Human Services Division Staff Manual is suggested as a model.)
- b. Create a task force to implement standard monitoring tools and practices for all CDD divisions engaged in monitoring activities where applicable.

(See pgs. 38-39)

11. Take the following actions to expedite the contract preparation process, with emphasis on the processing steps which occur outside the Contracts Section:

- a. Instruct the Contracts Section to review its records for each of the various types of contracts and amendments to determine the mean processing time for the various phases of contract development including the contract review element that occurs outside the Community Development Department.
- b. Instruct the Contracts Section to establish a contracts development calendar for each contract type (HUD, DOL, Older Americans, etc.), utilizing the mean processing time determined in Recommendation a, above.
- c. Precisely define for the operating divisions and the Contracts Section their contract review and preparation responsibilities.
- d. Review with the operating divisions and the Contracts Section the status of the contract development calendar, and hold all parties responsible for adhering to the calendar or justifying any deviations. Contract schedule review should be conducted on a regular basis.

(See pgs. 40-42)

12. Instruct the head of the Contracts Section to take the following actions:
- a. Assign a Grants Management Specialist II primary responsibility for contract monitoring for a specific operating division - Housing, Human Services, and Training and Job Development.
 - b. Assign to the contract monitors definite dates for completing their contract review responsibilities, and review progress on such dates with the monitors on a regularly scheduled basis.
 - c. Assign to the contracts monitors the duty to serve as focal liaison for the operating division and participate with the division in the development of its contract preparation schedule; interface directly with the project monitors whenever problems arise during the Contracts Section's review of the draft contract; and keep the operating division informed of the contract's status as it progresses through the City review process.

(See pgs. 42-43)

13. Instruct the head of the Contracts Section to take the following actions to improve the processing of contracts within the Section:
- a. Utilize historical information from the Contracts Section's Work Assignment Status Report to predict on a periodic (monthly) basis the number of contracts and amendments to be processed.
 - b. Develop expected time frames for processing contracts through the various points in the contract review cycle from the point where the contract is received through its final execution and use to establish an expected processing completion date for each contract.

Include within the Work Assignment Status Report the points in time when each contract is expected to reach each of the various development or review stages and implement an exception reporting system to continually monitor contract status and to trigger corrective action.
 - c. Utilize the historical workload data and the processing time goals of the Contracts Section to schedule and plan its contract monitoring, development, and training activities.

(See pg. 44)

14. Instruct the head of the Contracts Section to assign individual contract monitors (GMS II's) to each of the operating divisions to assist them in preparing and conducting a contract preparation training program at the outset of the contract preparation cycle. (See pgs. 45-46)
15. Assign Rent Stabilization Division management staff to:
 - a. Prepare and distribute a brief, easily understood information booklet explaining the rent stabilization program and the services provided by CDD;
 - b. Evaluate contracting with an advertising or public relations firm to develop an effective public information program for rent stabilization;
 - c. Expand contacts with landlord and tenant organizations; secure additional public service broadcast time; and hold public meetings whenever possible to improve communications regarding rent stabilization matters.(See pgs. 48-49)
16. Instruct Rent Stabilization Division management to complete the compilation and organization of existing work procedures into a format that will facilitate management review and evaluation. Procedures should be reviewed, and revised as necessary, to ensure a uniform approach that is in compliance with Rent Stabilization Ordinance provisions, Rent Adjustment Commission guidelines and City Attorney advice. The procedures manual should be provided to all Division professional staff and updated regularly. (See pg. 49)
17. Instruct the Rent Stabilization Division management to promptly implement a Division-wide filing system and records retention program. The CDD, with the assistance of the Data Service Bureau, should investigate development of a Rental Unit Information System as part of the Rental Unit Registration file. (See pg. 50)
18. Direct the Rent Stabilization Division and Administrative Services Division staffs to develop and promptly implement a program to greatly increase use of the CDD word processing center by the RSD. (See pgs. 50-51)
19. Direct administrative staff to review the various position control systems available, select an appropriate system, and prepare a request to acquire the system through the annual City Budget. (See pg. 53)

20. Direct divisions and contract monitors to fully comply with Departmental policy to conduct yearly inventories of equipment purchased with City-administered grant funds. The inventory should be reported to Administrative Services Division. (See pgs. 53-54)
21. Direct administrative staff to develop and maintain a Department policies and procedures manual. (See pg. 54)
22. Instruct the Director, Administrative Services to take the following actions to improve service by the word processing center:
 - a. Require word processing operators and supervisors to increase their attention to proofreading and review of document quality.
 - b. Establish a single work control log to replace the existing logs, and require the WPC supervisor to monitor document turnaround time on a daily basis.
 - c. Establish performance standards for WPC personnel as described in this Report, and require the WPC supervisory personnel to evaluate each operator by such standards.
 - d. Develop a continuing education program whereby all potential users of the WPC are regularly informed of the services available and service levels anticipated.

(See pgs. 54-55)

23. Instruct concerned staff to reassign the Payroll Unit to the Accounting Section within the Administrative Services Division. (See pg. 56)
24. Direct the Chief Accountant to assume responsibility for the development and installation of a positive timekeeping and labor distribution cost accumulation system for the Community Development Department which will address the needs generally described in this Report. (See pgs. 56-57)
25. Establish a regular financial auditing training program for department personnel. (An example of such a program would be the one conducted by the University of California at Los Angeles for the Los Angeles County Department of Community Development.) (See pgs. 57-58)

B. That, upon appointment, the General Manager of the newly established Department of Aging:

26. Take the following actions to improve the administration of the City's programs for the aging:

- a. Develop comprehensive performance evaluation measures to properly evaluate the quality of the aging programs.
- b. Actively strive to utilize the Council on Aging to assist in the development of the performance evaluation measures and in reporting the effectiveness of such aging programs against the performance evaluation objectives as developed.
- c. Utilize the evaluation criteria, as developed, in the continuing assessment of the quality of such programs and in the formulation of the Area Plan.
- d. Coordinate efforts with the Community Development Department to ensure the compatibility of programs (see pgs. 59-60).

FINDINGS

I. DEPARTMENT MANAGEMENT

Two fundamental issues, dealing with management organization and control and long range planning, are addressed in this Section. Additionally, the subject of executive staff assistance is discussed at the request of the General Manager.

A. Management Direction and Control

Issue

The span of control of the General Manager is excessive, and the roles of Assistant General Managers require definition and increased line responsibility and authority. Management's formal reporting requirements are insufficient.

Discussion

Management style in the CDD appears to be informal, as borne out by the fact that division heads are not routinely required to formally report on the progress of programs, problems encountered, or problems foreseen. Contacts between the General Manager and division heads are excessively oriented to problem or crisis cases. Assistant General Managers are not fully involved in the chain of reporting or in line responsibility.

According to the organization chart, both Assistant General Managers are assigned line responsibility and supervision for several divisions. However, the General Manager appears to utilize them primarily as problem solvers or on special assignments. Some division heads have very little contact with their Assistant General Manager. Consequently, division heads are permitted to plan and accomplish their own programs with considerable autonomy. While there are strengths in this method, operational problems too frequently require resolution at the General Manager level. Further, there is only limited interaction between divisions and insufficient effort devoted to solution of common problems. There is a lack of confidence on the part of the program division personnel that the support units of the Department are really interested in providing needed services to program divisions. This condition is partly explained by the fact that many units of the Department existed as self-contained entities before the Department was created.

The General Manager and Assistant General Managers are aware of the need to focus attention on unifying the Department, and have made some progress in this regard. There is a further high priority need for management attention to this objective.

Weekly management staff meetings are potentially a very effective tool for coordinating Department activities and keeping managers informed. However, to be effective there is a need for planning and structure. There should be an agenda and top management must contribute personal input to the meeting: the General Manager must share his perceptions, plans, and praise with other participants. The General Manager should use the meeting as a forum on Department-wide matters of interest, and expect all participants to actively contribute to the discussion. Assignments made during staff meetings should be followed up through the work assignment system.

Top management should expand formal reporting procedures for division heads. Written performance objectives for a given period, against which performance can be measured would provide one means of accomplishing this result. These reports should be reviewed, preferably with the division head, and problems identified and carefully pursued.

The General Manager must also assure that the Assistant General Managers exercise control and direction of their assigned units. He must hold them responsible for program performance in their respective areas. (See Recommendations Nos. 1-2.)

B. Long Range Planning

Planning for the future of the organization is a fundamental responsibility of management. The planning process "forces" management to concentrate on the goals and objectives of the organization, and to delineate methods for achieving those goals within a timeframe. The goals and objectives may be as visionary or optimistic as the manager deems appropriate within the framework imposed by the Mayor and Council; the methods should be as realistic as can be devised. The plan must recognize and identify all foreseeable obstacles (fiscal, legal, organizational, etc.), and incorporate them in the form of subsidiary contingency plans. The process of formal planning for the future of the organization is frequently described as "long range planning".

By long range planning, we mean planning for a period extending beyond the usual budget year, possibly up to five years into the future. The plan must be documented in some form, and, as a minimal consideration, the outline of the plan should be communicated to members of the organization.

Issue

The Community Development Department's long range planning is informal and highly centralized. There is a need for a visible, coordinated planning process which involves operating division heads as well as top management.

Discussion

Among City departments and agencies, CDD's situation is unique in that 87 percent of funds appropriated to the Department in the current City Budget are grant funds. The tenuousness of such funding contributes to a sense of organizational instability.

The close scrutiny and control over CDD affairs exercised by the Grants, Housing and Community Development Committee of the Council, and by the Council itself, adds to the feeling by management that the Department does not control its programs. Council control in this instance is probably greater than over any other City department or agency.

The current budget situation in Washington does not favor continued support of many CDD programs at their past or present level. The prospect is for continuing decline and possible elimination of Block Grant funding. The Department should be planning for this and other eventualities. What programs could be continued without Block Grant support and at what level? If not the existing programs, what local programs should be proposed to accomplish the goals of the Department? This type of management planning appears to be essential to the continued effectiveness of the Department.

If unit heads are aware of the goals and objectives of the Department, and of the plans to reach these goals, they may develop their own goals, objectives and plans. This process not only helps assure total organizational movement toward Departmental goals, but allows subordinate units to judge their own participation. A stronger sense of Departmental identity is a predictable result. (See Recommendation No. 3.)

C. Staff Assistance to the General Manager

During the course of the Audit review, the General Manager requested the Audit Team to evaluate the appropriateness of creating administrative support staff reporting to the General Manager and Assistant General Managers. Presently, there is no nonclerical administrative support staff in this area. He also requested an assessment of the need for the Department to secure specialized technical services through the use of personal services contracts. The General Manager envisions that the staff would consist of one to five positions that would report directly to the General Manager and Assistant General Managers and provide a direct administrative capability. This staff would conduct special studies and assess departmental problems that transcend organizational lines. For example, a complete assessment of the Department's contract preparation procedures would be a potential target of review by the General Manager's staff. Also, the staff could assist in

tracking the movement of Department files through the City system, keeping the General Manager informed as to their status, and preparing the Department's response to inquiries as they progress through the City review process.

It is envisioned that the administrative support staff would provide skills to the Department not now possessed within the existing staff; specifically, skills in financial review and program management of innovative development programs.

The Audit takes no position as to whether the CDD should have authority to execute personal services contracts to acquire special technical skills not available within the Department, particularly skills for property management and development. Therefore, it is more appropriate that consideration of a personal services contract capability be addressed during consideration of the Community Development Department's budget and the City's Block Grant deliberations where it can be considered as part of a total Block Grant program.

We believe the top management of the Department could make effective use of a small personal staff. Our findings suggest that the Community Development Department tends to operate in a compartmentalized manner (see Section IA above). A staff reporting to the General Manager could provide a tool for generating a departmental atmosphere by initiating and coordinating the development of uniform procedures between and among the divisions, specifically, procedures affecting contract development, program monitoring, staff reviews and timekeeping. Any personal staff created for the General Manager would, in the opinion of this Office, have to be formed utilizing existing positions within the CDD. The creation of an executive staff and the development of its responsibilities is totally within the control of the General Manager and he has the resources at his disposal to initiate such a change. Therefore, the Audit is making no recommendation as to the size, content or source from which this activity would be staffed. We do, however, agree that a personal staff could be a valuable tool in assisting the General Manager in his direction of the Community Development Department's work program. Our experience indicates that a critical success factor in an effort of this type is the degree to which the resources are employed to provide management assistance as opposed to encroaching upon line managerial responsibilities.

II. COMMUNITY ANALYSIS AND PLANNING DIVISION

At the time of the Audit, this Division included three distinct activities: Housing and Community Development Operations, Reports/Monitoring and Data Analysis. The makeup of the Division included all of the former Community Analysis Bureau and approximately 75 percent of the Mayor's Office of Urban Development. During the Audit, the Department's Management Information System Group was incorporated into the Data Analysis Unit, and the entire activity was subsequently relocated to the Training and Job Development Division.

The HCD Block Grant application procedure was greatly simplified by HUD beginning with the Eighth Year (1982) application. Therefore, much less emphasis is now placed on the planning function. As a result of this change, the Planning Unit in CAP has been eliminated. Another result of the simplified application procedure is a reduction in the citizen participation requirements. As new regulations are clarified, CDD should modify the citizen participation plan to conform to HUD requirements.

The HCD Operations element includes the subelements of Block Grant Application preparation and Economic Development. As referenced elsewhere in this report, the Block Grant has now been integrated with the City Budget, thereby placing primary importance on that effort and reducing the preparation of the Application to a formality. This element is actively involved in developing the budget proposal materials. The Economic Development element is occupied with the development, coordination and monitoring of Urban Development Action Grant projects.

The Reports/Monitoring element is responsible for coordinating periodic grantee performance reports, monitoring Block Grant activities of the Community Redevelopment Agency, and maintaining a manual Block Grant Project Accounting System.

A. Economic Development Projects

Issue

Administration of economic development grant-funded projects is divided among different divisions within the Community Development Department.

Discussion

The Urban Development Action Grant (UDAG) program was created by the 1977 Housing and Community Development Act and is

aimed at alleviating physical and economic deterioration in severely distressed cities. The UDAG Program is designed to stimulate and leverage private investment in the implementation and financing of economic development projects. Eligible activities include site acquisition, site clearance, construction, rehabilitation, disposition of land (sale, lease), public facilities and improvements, and relocation. UDAG funds can also be utilized for a variety of subsidy purposes including equity funding, low interest loans, and interest subsidies. Preference is given to those projects that can recapture or recycle UDAG monies for future economic development activities.

The Community Development Department is responsible for coordinating and processing all City applications for UDAG funds. The main City agencies involved in UDAG projects include the Community Redevelopment Agency and the Mayor's Office of Economic Development. These two agencies have taken the lead development role on most of the currently approved UDAG projects. The Community Development Department also has personnel assigned to the development of UDAG projects. The Community Development Department has overall responsibility for monitoring the lead agencies involved in the implementation of the grant activities and objectives. This responsibility includes the review and processing of evidentiary materials conditioned by the grant and requiring City Attorney review and HUD acceptance, the approval for drawdown of funds, the monitoring of expenditures, processing of all progress reports, and the tracking and certification of grant milestones.

To 1982, the City has received funding approval for 12 UDAG projects, as follows:

1. Vermont/Slauson Shopping Center
2. Boyle Heights Shopping Center
3. Watts Shopping Center I and II
4. Jewelry Mart
5. Weingart Neighborhood Revitalization Center
6. Anheuser Busch Sewer System
7. South Park Plaza Housing
8. Pep Boys Expansion
9. Wholesale Produce Market and Revitalization
10. Watts Shopping Center
11. L.A. Actors Theater
12. Pioneer Market

These projects have been approved for \$46 million in UDAG funds and have a combined total cost in excess of \$700 million. The Community Development Department has assigned approximately four personnel to the project development, coordination and monitoring functions. The Economic Development Unit of the Human Services and Neighborhood Development Division has currently assigned 22 contracts with a variety of economic

development type projects. We believe that positive results would occur if a consolidation of all departmental economic development activities were to take place. (See Recommendation No. 4.)

B. HCD Block Grant Project Accounting System

Issue

The system utilized by the Community Development Department to control all receipts, budgetary appropriations, expenditures and encumbrances of the HCD Block Grant has some fundamental deficiencies.

Discussion

The need for more accurate and current information and HCD Block Grant project accounting has been recognized for several years. For example, at the City Council's Grants, Housing and Community Development Committee meeting of December 3, 1980, the following statement was made in support of a motion aimed at improving the quality of information available to Council: "During the Grants Committee and City Council consideration of the HOME program, an HCD activity, it was determined that information included in the monthly financial reports was not accurate. Without accurate information City Council offices are precluded from making responsible recommendations concerning the most effective utilization of HCD funds which frustrates the City's effort to revitalize the communities in greatest need". The Council instructed the Department to take all necessary steps to improve the accuracy of monthly financial reports.

The Department has considered the possibility of developing an all new more inclusive management information system. In recent years, the Department has expended considerable time and funds on two task force efforts for this purpose. The size, complexity, and scope of these efforts was substantial, and results have not been consistent with expectations. The second task force study has been completed in the form of a detailed user specification document which defines the financial management needs of the Department that are not currently automated: budgetary accounting and control, rent control and HCD and CSA block grant accounting.

In conjunction with this Management Audit, we have reviewed in some depth the source data and procedures used to generate the existing project accounting reports. We have interviewed personnel in the various divisions of the Department, the Data Service Bureau, Controller's Office and the City Administrative Office. Accordingly, we believe that the Department should continue to focus its efforts on improving the

existing HCD Block Grant Project Accounting System. The refinements of this system should be considered by CDD in proposed plans to implement an automated Department-wide financial management information system through modification of the existing CETA software. Given adequate staff resources (including the addition of a consultant through a personal services contract) it is estimated that a Department-wide financial management system could be automated no later than October, 1983. Our detailed findings and recommendations are contained in a separate narrative conveyed directly to the General Manager. (See Recommendation No. 5.)

The Social Services Division has the responsibility for contract development, implementation, and monitoring of community-based organizations and projects receiving the 13A contracts covering 17 types of services: alcohol, drug, mental health, family violence, domestic violence, child abuse, child welfare, adoption, foster care, juvenile delinquency, and corrections. The Social Services Division has received the 13A contracts since 1980, which has approximately \$7 million and 13 contracts, and the Community Services Block Grant which has approximately \$4.3 million and 17 contracts. There are five groups within the Division which are responsible for the contracts. Each group is responsible for five or seven contracts.

Effective July 1, 1983, a ten percent limitation was placed by HUD on the amount of the total 13A Block Grant funds that can be spent on public services.

The Neighborhood Development Division has been the primary agency for the 13A contracts. This group is responsible for the development, implementation, and monitoring of projects in the areas of design, renovation, construction and lease of facilities, and youth programs. The Division has received the 13A contracts since 1980, which has approximately \$7 million and 13 contracts, and the Community Services Block Grant which has approximately \$4.3 million and 17 contracts. There are five groups within the Division which are responsible for the contracts. Each group is responsible for five or seven contracts.

The Division has been responsible for the development, implementation, and monitoring of projects in the areas of design, renovation, construction and lease of facilities, and youth programs. The Division has received the 13A contracts since 1980, which has approximately \$7 million and 13 contracts, and the Community Services Block Grant which has approximately \$4.3 million and 17 contracts. There are five groups within the Division which are responsible for the contracts. Each group is responsible for five or seven contracts.

The following is a summary of the major changes:

III. HUMAN SERVICES AND NEIGHBORHOOD DEVELOPMENT DIVISION

The two major elements of this Division at the time of the Audit were Social Services and Neighborhood Development. Of the 80 positions authorized in the Division in 1982-83, 54 were assigned to Social Services and 26 to Neighborhood Development. Subsequent to the Audit, this Division has been significantly expanded by the addition of a third major element, Community Services.

The Social Services element has the responsibility for contract development, technical assistance to community-based organizations and program monitoring for some 130 contracts covering 17 types of service programs. Examples of types of programs include: economic development, child care, health services, immigration assistance, senior citizen programs, youth counseling and recreation, and Handyworker. The two major sources of funding are the Housing and Community Development Block Grant, which has approximately \$5 million and 93 contracts, and the Community Services Block Grant which has approximately \$4.3 million and 37 contracts. There are five groups within this element with generally six to seven monitors per group. Each monitor is responsible for five to seven contracts.

Effective July 1, 1982, a ten percent limitation was placed by HUD on the amount of the total HCD Block Grant funds that can be spent on public services.

The Neighborhood Development element has some 109 current projects. This group is responsible for the monitoring of design, renovation, construction and lease of multipurpose centers, senior citizen centers, and youth program oriented neighborhood facilities, City-owned facilities and continued use facilities. The contracts of this Division are generally with community-based organizations for the actual design, renovation, lease, and construction of their facilities. The actual design of grant-funded public improvements is generally with other public agencies such as the Board of Public Works or the Department of Recreation and Parks. The monitors within this element normally are assigned five to eight active projects.

In the Eighth Program Year application for the Housing and Community Block Grant major changes in funding levels and procedures were adopted by the City Council. Two of these items concerning a Human Services Division and the Community Analysis and Planning Division would have been the subject of Audit recommendations had they not been previously approved.

The following is a summary of the major changes:

1. The Neighborhood Strategy Area (NSA) concept has been eliminated. Public services activities may be conducted throughout the City provided they serve principally low and moderate income residents. Instead of NSAs, Labor Market Planning Areas (LMPA) will be used to determine distributions based on the numbers of low and moderate income persons per LMPA.
2. The HCD Block Grant is now integrated with the City's budget formulation process. The Community Development Department submits to the Mayor a proposed budget for the Block Grant when the amount of the City's annual entitlement is transmitted by the Federal Department of Housing and Urban Development. The CDD proposal is reviewed by the CAO and included in the Mayor's Proposed Budget. Subsequently, when CDD prepares the Block Grant application to HUD, the detail in the Proposed Budget is used.

IV. HOUSING DIVISION

City efforts relating to housing are divided between a number of City departments and agencies. Even those programs financed by the Community Development Block Grant are located in several organizations.

The Department of Building and Safety reviews and approves plans for residential construction. It also inspects existing residences for code compliance under its conservation program. The Block Grant finances a low-interest home repair program (HELP).

The Department of Public Works reviews tract and parcel maps for public improvement features. The Block Grant pays for that portion of a Housing Expediter's time spent on low-cost housing developments.

The Community Redevelopment Agency develops new housing from funds under its control. It also receives the single largest share of Block Grant funds for use in housing rehabilitation.

The City Housing Authority operates low-rent housing projects subsidized by HUD, the "Section 8" rental subsidy program, and housing production and rehabilitation programs with HUD funds.

The Community Development Department operates the majority of the City's housing rehabilitation and production programs using Community Development Block Grant funds, City revenue bond funds, HUD funds, and City general funds. All but two programs are assigned to the Housing Division. The Handyworker program provides funds for maintenance and minor repairs to dwellings occupied by low-income families; this program is assigned to the Human Services Division. The Rent Control Division administers the City rent control program financed from the General Fund.

Those programs administered by the Housing Division are discussed here.

A. Homeowners Opportunity Maintenance Effort (HOME) Program

The HOME Program provides deferred loans and interest-subsidized loans to homeowners for rehabilitation purposes. In the 1982-83 fiscal year, the HOME Program operated in ten geographical areas: Boyle Heights, Cypress Park, Echo Park, Highland Park, Pacoima, Chesterfield Square, San Pedro, Sylmar, Watts, and West Adams. The Sylmar and Pacoima projects are operated from one field office.

A budget, both for administration and for program, is established for each HOME site office. Production goals, such as number of units rehabilitated, are also established.

The workload in each site office consists of similar elements:

- * Outreach. The community must be made aware that the program exists. This is accomplished through news releases, newspaper advertising, mailings to all households, and door-to-door canvassing.
- * Interviewing and counseling clients. The loan programs must be explained, in terms of eligibility, benefits, obligations, and procedures, to persons interested in obtaining loans.
- * Determining eligibility. Clients must furnish documents establishing address, income, and home ownership.
- * Inspection of property. The property is inspected to determine repairs required and later inspected to determine progress and acceptability of work done.
- * Paperwork processing. Loan applications are reviewed and forwarded to HOME central office or to bank. Escrow accounts are opened for deposit and expenditure of loan funds. Contracts with contractors are reviewed and payments processed. Files are maintained of all transactions.
- * In-Progress construction inspection. Once rehabilitation has begun the construction work is inspected to insure that the work write-up and building codes are followed.
- * Negotiate disputes. Any disputes between the contractor and homeowner that arise during construction are negotiated. Work change orders are prepared as necessary.
- * Disbursement of Funds. Funds for rehabilitation are disbursed in incremental progress payments. All bills must be paid to insure no mechanics liens will be filed on the property.
- * Final walk through and inspection.
- * File notice of completion and release retained funds.

The HOME Program has been criticized in the past for a variety of problems. However, the Program has been in operation for over four years, and now appears to be operating successfully.

The Program's record of achievement in terms of units rehabilitated (i.e., "starts") has improved greatly as shown in the following figures.

<u>Year</u>	<u>Goal</u>	<u>Accomplishment</u>	<u>Percent of Goal Achieved</u>
79-80	1,326	870	65.6
80-81	1,278	1,058	82.8
81-82	900	1,020	113.3
82-83*	900	415 (12/82)	100.0+

*Projected

The ratio of administrative costs to program costs is also improving. In 1980-81, the ratio was 30.5 percent. In 1981-82, it declined to 25.6 percent. (If leveraged loan funds are included in this consideration, administrative costs drop to the 15-20% range.)

The Division also operated rehabilitation loan programs in four areas through contracts with local agencies. These projects are: Florence-Avalon, Vermont-Slauson, Kedren Park, and Harvard Park. The program provided is similar to the HOME Program. These contracts require technical assistance and fiscal and program monitoring. Deficiencies cited in CLA monitoring reports have been corrected.

The budget for each project contains a line item, usually in the amount of \$100,000 for capital improvements. These are normally expended for cosmetic or convenience items of interest to the community, such as street trees or landscaping, sidewalks, wheelchair ramps, etc. The HOME Program experienced difficulty in contracting with Public Works to expend these funds. The City Charter requires that all public works be constructed by or under the supervision of the Public Works Department. There has been confusion between CDD and the Bureau of Engineering as to procedures to be followed. A number of meetings were held at the staff level during the Audit which were productive, and the problems appear to have been resolved.

Budget proposals for 1982-83 recommended that three of the subcontracts for rehabilitation projects not be renewed, but that the projects be continued and operated through HOME offices. However, there was opposition from the concerned Councilpersons and the three contracts were continued. The fourth contract (Harvard Park) expired in September, 1982, and the project was discontinued.

The budget for 1982-83 effected the closing of three current HOME projects as having reached a loan-saturation point: El Sereno, Sun Valley, and Leimert.

The amount of funds available from the CDD Block Grant for the HOME program was reduced in 1982-83 for the second consecutive year. It was expected that the size of the Grant will continue to decline. Funds available for program uses may be maximized by reducing administrative costs.

Issue

The maintenance of a HOME field office within an individual project area is expensive and increases the ratio of administrative expense to program expense.

Discussion

The existence of a field office within a project area is effective, in that it is convenient for project participants, it furthers staff identification with the project, and it increases project visibility in the community. However, consolidation of offices creates staff savings, and allows maximum utilization of remaining staff.

The shrinkage of available funds requires that efforts be made to ensure that as many funds as possible be allocated to programs versus administration. Consolidation of field offices where feasible would be one method of achieving this goal. (See Recommendation No. 6.)

Issue

The time required to process HOME deferred loan packages is excessive and should be reduced.

Discussion

After a field office manager reviews and approves a loan package, it is forwarded to the Central Office. HOME technical personnel review the package for completeness and compliance with regulations. The package is then reviewed and approved, serially, by the HOME Program Manager, the Housing Division Manager, and the Department General Manager. The package then goes to the Accounting Section and the Controller, in sequence, for issuance of a check; then back through channels and eventually to the HOME field office. This process requires three to four weeks.

Speeding up this process would not, in the long run, increase loan production (and thus the number of rehabilitated

units). It would, however, improve the receptiveness of clients who are waiting for a check, and improve the morale of field office personnel. (See Recommendation No. 7.)

Issue

HOME Program personnel are being considered and approved for HOME loans.

Discussion

In response to an issue raised by the Chief Legislative Analyst in a monitoring report on the HOME Program, the City Attorney advised that HOME Program and other CDD employees could legally participate in the HOME loan programs, provided the applicant employee was not involved in the approval or processing of his or her own loan. Since the date of that Opinion, February 17, 1981, at least one HOME employee has received a rehabilitation loan from the HOME Program.

This Office does not question the legality of such transactions. The concerned employees were eligible for the loans under all applicable regulations, and no favoritism or other illegality is apparent or suggested. However, we do question the wisdom of granting loans to Department employees without formal review of the circumstances to assure that no favored treatment is expended or received.

It is extremely important that the CDD maintain a position of strict impartiality and compliance with federal regulations in reviewing and approving HOME loans, especially when the applicant is a CDD employee. Therefore, we conclude that CDD should, as a matter of policy, require a formal internal review of factual circumstances when Departmental employees apply as a client in any Department programs. (See Recommendation No. 8.)

B. Multifamily Opportunity Rehabilitation Effort (MORE) Program

The MORE Program uses a variety of financing sources to assist owners of primarily multifamily residential buildings to rehabilitate their properties, with a minimum of disruption to tenants. The Program also assists in construction of new apartment houses and in rehabilitation of single family dwellings. The Program is carried out in three Neighborhood Strategy Areas (Hollywood, Venice, and Westlake) and one Apartment Improvement Project Area (Crenshaw).

The specific programs and funding sources employed include:

*Under agreement with HUD, Section 8 rent subsidy commitments for:

- *New construction.
- *Substantial rehabilitation.
- *Moderate rehabilitation.

*Under agreement with Housing Authority, Section 8 rent subsidy commitments for moderate rehabilitation.

*HUD Section 510 Demonstration Programs for:

- *Section 8.
- *Cooperative conversion.

*State of California deferred loans for:

- *Multifamily dwellings.
- *Residential Hotel Rehabilitation Demonstration Program.

*HCD Block Grant for:

- *Deferred loans.
- *Deferred loans for single family residences.
- *Interest subsidy loans for single family residences.

*Section 312 rehabilitation loans

Unless otherwise noted above, all programs are for multifamily dwellings.

All efforts are directed at low and moderate income tenants and/or owners. Therefore, Section 8 rent subsidy commitments are used extensively to assure that the rehabilitated building will be made available for low and moderate income families.

MORE Program personnel work with owners or developers in putting together a proposal, which will usually involve Section 8 and another loan source, plus conventional financing and owner or developer participation, if possible. Program personnel review the proposal for financial feasibility and adherence to HUD or State of California guidelines. The proposal is then forwarded to HUD or the State for action. Efforts are made to protect existing tenants of buildings to be rehabilitated. If necessary, MORE can make relocation payments from Block Grant funds.

Factors beyond the control of the City hamper the success of the MORE Program. MORE personnel have a good record

of interesting owners and developers in rehabilitating properties and putting together proposals. The proposals, however, must be reviewed and participated in by other agencies. There has been a significant shortage of HUD funds available for FHA and GNMA mortgage insurance; few projects can be made feasible without it. HUD regulations relating to acceptable mortgage interest rates are unrealistic in the current housing market. Interest rates also limit the ability of owners or developers to participate to a large extent in a financing package.

Many of the projects which are considered feasible but for which other financial commitments are not available are being considered for City bond fund participation. (See the following section on Housing Production.)

As of November 15, 1982, 934 housing units processed under the MORE Program for rehabilitation have been funded; of that number 717 are either completed or under construction, and construction will start on the remaining 217 within 60 days. Funding has been approved for 221 units of new construction; 88 units have been completed and 133 units are under construction.

MORE PROGRAM

<u>Year</u>	<u>Goal</u>	<u>Accomplishment</u>	<u>Percent of Goal Achieved</u>
80-81	360	22	6.1
81-82	532	543	100.2
82-83*	525	396 (12/82)	100.0+

*Projected

Conclusion

The MORE Program is effective in generating interest in rehabilitation of multifamily residential buildings. However, its effectiveness is limited because of the existing economic conditions and cutbacks in federal funding.

C. Housing Production

Housing Production was first established as a Block Grant-funded activity in 1978-79. The purpose is to make possible the construction of additional housing units by using Block Grant funds for land write-down on projects which would not be otherwise economically feasible.

The Housing Production Section of the Housing Division, in cooperation with HUD, solicits developers to submit proposals for housing projects. The projects must be targeted

for low or moderate-income buyers or tenants and must qualify for HUD Section 8 rental subsidies. The Section will assist the developer in putting the proposal together and in finding financial sources. The City will make loans or grants from Block Grant funds to the project to reduce land and preconstruction costs. Final approval of the proposed project is subject to HUD action.

Since 1979 and through 1982, 22 projects with 1,272 units have received \$5,868,250 in housing production funds.

In 1979, in an effort to identify and improve housing programs in the City, the Grants, Housing and Community Development Committee of the Council appointed a Housing Production Task Force. The Task Force was composed of those agencies charged with housing programs: the Community Development Department, the Community Redevelopment Agency, and the Housing Authority; plus the City Attorney, City Administrative Officer, and the Chief Legislative Analyst. The Task Force report of March, 1980, identified 15 programs administered by the three agencies which are concerned with the production of new housing units. The Report also established goals for each of these programs for the years of 1980 through 1984. The goals for the five years totaled 15,008 units. The programs were predicated on then-existing sources of revenue.

At the end of 1981, the second year of the five year program, none of the three housing agencies had met the original program goals. CDD had accomplished 40.3 percent of the original 1980-81 two year goal of 3,841 units with 1,549 units started. An additional 2,017 units had been given preliminary approval and 1,105 were in the planning stage. Although the City Council approved revising the original five-year goals to correct the unrealistic Federal funding assumptions they contained, CDD housing production in 1982 showed a marked continuing improvement. While the original goals would have indicated a CDD 1982 goal of 1,920 units, 2,090 CDD units were started.

Chief among the reasons for the original lack of accomplishment was the severe reduction in the Federal funds available in 1981 as compared to 1980 when the goals were set. Also, the cost of construction in Los Angeles and the high interest rates make projects difficult to finance; the length of time for HUD to process projects (up to in excess of two years) causes projects to be abandoned because of loss of site control and rising rent levels in the interim.

The level of Federal funding has continued to decline with expectations of further reductions. Therefore, the level of housing production as compared to the adopted goals will not be attained. However, there are many projects still in the HUD

and City pipeline. A few will continue to receive approval and financing from HUD and City Block Grant funds will continue to be used to complete the financing.

The Division has developed additional financing sources to supplement (and perhaps eventually supplant) Block Grant funds. In December, 1980, the City sold a Single Family revenue bond issue to provide mortgage funds for first time home ownership developments. The undertaking was successful in developing and selling units totalling \$45 million in mortgages to moderate income households.

The success of the first Single Family bond sale prompted the Department to structure a second issue which was sold in August, 1982. These bonds provide \$30 million in mortgage financing for 350 units of affordable ownership housing. Many of these units have already been constructed at various locations throughout the City.

In early 1982, the City created the Los Angeles Municipal Housing Corporation, a nonprofit public benefit corporation, whose sole function is to sell revenue bonds and notes to provide mortgage funds for low and moderate-income housing. The bond funds will provide mortgage interest rates below the market rate, and will also be used on HUD-approved projects.

The first project to be financed by the Municipal Housing Corporation is Stevenson Manor, a 61-unit Section 8 senior citizen housing project. The bond issue of \$6,000,000 is to be supplemented by a Block Grant contribution of an additional \$300,000.

The second bond issue of \$52.3 million to provide mortgage financing for Section 8 housing developments included \$25.3 million in construction notes and \$27 million in bonds for 537 units at nine project sites. These bonds were sold in September, 1982.

The Housing Division is now working on financing for two new Section 8 projects, Baldwin Villa Plaza (200 units, \$27 million) and Redwood Village (50 units, \$7 million).

There are still 36 Section 8 projects containing 1,323 units remaining in the HUD funding pipeline. If these are to be completed they will require both land writedown assistance and bond financing. Such financing will be required by the end of 1983.

The Section 8 pipeline units will be the last of the low income affordable housing units to be developed in the City of Los Angeles. The funds required to complete these units will

more than exhaust the available housing production funds. To lose these units by not utilizing all of the available housing production funds would be a severe loss of the Federal housing resources being made available to the City. An \$8,000 City subsidy leverages a \$60,000 housing unit and 20 years of rental payments to make the housing affordable to the low income residents.

The City Council and the Mayor have also approved a City bond issue known as "Loans to Lenders", a nonsubsidized rental housing bond program. A bond underwriting syndicate conducted a marketing study and structured the bond issue. On October 7, 1982, bonds totaling \$46 million were sold to finance 1,203 conventional rental units. Twenty percent of the units must be reserved for low- and moderate-income tenants. The lending institutions would repay the loans to the City, so no subsidy is involved.

The success and developer response to the first multi-family bond has encouraged the Housing Division to structure a second multi-family issue. In December, 1982, an RFP was released to secure project proposals. The response was excellent: 130 projects comprising 5,000 units and \$208 million in mortgages. The bonds have subsequently been sold.

Conclusion

The Housing Production Program of CDD has financed or provided land writedown assistance to 3,206 units totalling more than \$168 million in mortgage value. These figures represent a pattern of steady increase following an initial period of underrealization which was partially the product of factors beyond the control of the Department.

The Housing Division has been aggressive in developing new sources of financing for housing production. The City bond issues, both developed and proposed, appear to be important new tools in providing financing for new housing units.

V. TRAINING AND JOB DEVELOPMENT DIVISION

The Training and Job Development Division (T&JD) is responsible for implementing the Comprehensive Employment and Training Act (CETA) Program. Implementation includes reviewing project proposals and recommending to the Council and the Mayor subgrantees to implement the City's CETA Program, contract and budget negotiations, financial management of the Program, the planning and evaluation of the Program, and, finally, providing technical assistance to subgrantees. Encompassed within these activities is the underlying responsibility to ensure the CETA Program is operated in a manner consistent with the CETA Act and its attendant regulations, including the prevention of fraud and abuse.

At the time of the Audit, the T&JD Division had been affected by certain important developments which reduced its ability to perform its functions. Federal budget cuts had been initiated which resulted in severe reductions in the CETA Program for the City. The Program was being operated amidst speculation as to the Federal plans for its continuation, and the direction that new legislation might take in the 1983 Program Year. The budget cuts resulted in extensive staff reductions in the Division. Also during this period, the Division experienced significant changes in its top management; a new Project Director and Assistant Director had recently been appointed. In addition, staff reassignments within the Community Development Department resulted in a change of new senior management staff in the Division.

In July and August of 1981, the Department of Labor assigned its Regional Office Management Assistance staff to Los Angeles to conduct an on-site CETA review of the Community Development Department, along with the other City entities involved with the CETA Program. The review provided an assessment of the organization and management of the T&JD Division. The Management Assistance Study (MAS) resulted in a recommendation that the T&JD Division be organized to reduce the span of control of the Director, and the fiscal and management information systems be brought under the control of the Training and Job Development Director. The Management Assistance Study was also concerned that recent Training and Job Development cuts had been too severe in some cases and that staff increases be considered for the fiscal, monitoring, reconciliation, evaluation, EEO, and technical support activities.

During our Audit, the T&JD Division was in the process of reorganizing along the general lines proposed by the MAS. In addition, the Management Information staff was being transferred back to T&JD from the Community Analysis and Planning Division

as recommended by the MAS team. These changes, coupled with the T&JD management staff's plans to initiate procedural changes within the Division to improve its operation, somewhat clouded the Audit Team's ability to get a firm fix on the direction the Division would take in the future. The picture was further clouded when additional staff reductions for the 1983 CETA Program Year were required by further reductions in the CETA Program.

The staff reductions for the 1982 program year represented a reduction of almost 47 percent, and occurred primarily in the organizational units responsible for planning, evaluation, technical assistance, auditing and grants administration because these units could withstand wholesale changes with the least impact on the program. The reductions were triggered by changes in the CETA program, specifically elimination of the public service employment (PSE) and reduced youth programs. Although the funding reductions were significant, the staff reductions imposed were in excess of what the level of funding would have suggested. Using funding as a measurement tool, a 20 percent staff reduction would have been more appropriate (see Table A).

The T&JD Division realigned its Labor Market Planning Areas (LMPA's) to provide staff for technical assistance support to the CETA Program. However, further reductions in the 1983 Program Year made it necessary to once again reduce staff and once again technical assistance suffered the largest cuts.

Table A

Training and Job Development
CETA Funding By Program

	<u>PY 81</u>	<u>PY 82</u>	<u>PY 83</u>
Title II B	\$31,041,146	\$28,935,013	\$21,366,494
Title IV (YCCIP)	1,804,726	Not funded	Not funded
TITLE IV (YTEP)	8,797,554	4,944,595	2,312,297
TITLE IV (SYEP)	12,368,440	11,336,745	10,591,523
TITLE VII (PSIP)	4,793,608	4,489,271	3,038,111
Total	<u>\$58,805,474</u>	<u>\$49,705,625</u>	<u>\$37,308,425</u>

A. Project Monitors

Issue

Project monitors spend a disproportionate amount of time on routine paperwork which limits their ability to conduct program review and provide meaningful technical assistance.

Discussion

A review of the activities of project monitors suggests that a disproportionate amount of their time is spent on paperwork. This conclusion is supported by CDD management and staff. Project monitors are heavily involved in the preparation and review of project proposals, the preparation of contracts, the review of project invoices, and processing of requests from subgrantees for program adjustments. These paperwork activities tie project monitors to their desks preventing them from going into the field for project reviews. Although these activities are essential to CETA Program administration, they do not contribute to providing effective technical assistance and monitoring of subgrantees. The Department of Labor Management Assistance Study also took note of the heavy paperwork demands of the monitors and registered concern about the ability of the monitors to perform their other tasks effectively.

Serious consideration should be given to relieving the project monitors of their in-depth invoice review responsibilities. This review can be continued within the Accounting Section. Project monitor review should be limited to a checking of project account totals within the subgrantees' budget allocations to determine that the subgrantees are not substantially deviating from the budget. To minimize the work of the Accounting Section, consideration was given to recommending that subgrantees receive a two month advance of funds at the beginning of the Program Year to cover expected costs during that period, and then to limit invoicing by subgrantees to a two month cycle. This procedure would cut the workload in the Accounting Division substantially since invoices would be reviewed only once every two months. However, recent communications from DOL suggest the City change to a twice monthly invoice procedure to reduce Federal cash on hand. CDD strongly opposes any increase in the number of invoices processed per month and suggests that the City point out that the negative program operation and management consequences to such a change are more significant than the potential interest lost by the Federal treasury due to less frequent drawdowns. Even this concern of the Federal Government is specious because the City is required to return all interest to DOL; it is a fact that the City Treasurer's cash management system generally secures interest in excess of that earned by the Federal Government.

The Division has begun a review of its correspondence to identify that which could be characterized as routine and which could be processed by a standardized response. These include routine correspondence which are requests for health exemptions for CETA participants, requests for travel, and requests for minor budget adjustments. Responses for routine correspondence are being reduced to a standard format and included in the word processing inventory. This will cut down on the program monitors' need to generate original drafts each time a response is required.

It is believed that if the paperwork of the program monitors is reduced they will have more time to devote to field reviews and technical assistance for the subgrantees. (See Recommendation No. 9.)

B. Monitoring Techniques

Issue

Due in part to the large scale staff reduction in CDD CETA operations, the T&JD Division has been unable to complete standardization of monitoring tools and techniques in the review of subgrantee performance.

Discussion

There remains some inconsistency in the way individual project monitors conduct their review of the CETA subgrantees. The purpose of the T&JD program monitor is to provide technical assistance in the development, operation, and administration of the CETA programs administered by the subgrantee. Included within technical assistance is a review of the performance of the subgrantee in light of the expectations outlined in the contract and the annual work program.

A major emphasis of technical assistance is the development of sound financial systems and the preparation of the annual CETA contract. Ultimately this review and technical assistance experience should provide the project monitor with a basis for evaluating the adequacy and effectiveness of the program and making recommendations to T&JD management as to whether a program should be continued into another Program Year. For the monitoring evaluation to have any real meaning there must be consistency in the way individual project monitors review their agencies. This consistency must extend to the quantity and quality of the performance of the agency.

The inconsistency in project monitoring is not unknown to the management of T&JD Division. Our discussions with management suggest there is a good understanding of the problem, and steps have been initiated to resolve this particular issue.

It is presented as an issue in the Audit only to provide a frame of reference from which the Department can judge its progress in developing a standardized monitoring methodology. Such an approach has the following benefits: 1) It allows individual monitors to move from subgrantee to subgrantee without substantial retraining; 2) It provides the subgrantees a common denominator with respect to the expectations of project monitors; 3) It improves the level of subgrantee operation and provide a more secure approach, particularly in financial and budgetary control and program control, by eliminating some of the inconsistencies which can lead to fraud and abuse difficulties. T&JD Division has developed a draft monitoring guide which is in the process of being refined and edited before distribution to staff. To assist the T&JD in its completion of its monitoring program, we are including some suggestions as to the kinds of items that might be addressed in addition to a standard project monitoring guide.

We recommend the inclusion of (1) a monitoring calendar that would identify for each project monitor the period during the program year when she or he would review the various systems, i.e., financial, program participant, delivery, and administrative control. Coincidental with this effort should be the development of (2) a standard subgrantee file with individual standardized subfiles. Included as one of the subfiles should be (3) a record of every site visit performed by the project monitor. This record should be reduced to a standard format for each of the monitoring calendar milestones which will provide consistency from monitor to monitor so that similar information for all subgrantees is generated by the individual project monitors. Finally, (4) supervisors should become more involved in project monitoring and occasionally accompany project monitors on their site visits to become familiar with the subgrantees and their programs so the supervisor can review the monitors' progress in providing technical services to the subgrantees. (See Recommendation No. 10.)

VI. CONTRACTS SECTION

The Contracts Section receives contracts from the operating divisions and reviews them for conformance to format and grant regulations. Completed contracts are transmitted to the appropriate City review element, and, upon completion of this aspect final distribution of executed contracts is made to the concerned file for the Department.

The Audit review of the Contracts Section attempted to develop an overview of the contract processing procedure from contract origination within the operating divisions to contract execution and final distribution. The Contracts Section and its responsibilities for all CDD contracts is relatively new. It evolved from the Demonstration Projects Division where it coordinated only the contract development for that Division to its present status where it has, over the last two years, assumed responsibility for contract processing of all CDD contracts. The Contracts Section is generally viewed within the Department and by the outside entities that must interface with it to be performing a positive service. There is, however, still some resentment within certain divisions in the Department about its role.

Attached in Appendix I is an "Outline of a Proposed Project Monitoring System" which defines generally for each element of CDD contract processing the individual processing responsibilities. This outline is provided as a guide and is not intended to supplement the Department's initiative in developing a better one.

A. Delineation of Responsibilities

Issue

The delineation of responsibilities for contract processing between the operating divisions and the Contracts Section requires further clarification to eliminate confusion between the entities as to contract processing responsibilities.

Discussion

The review of the Contracts Section and its responsibilities included a review of the entire process from contract development within the operating divisions through contract execution. It became apparent from this review that the contract review/development process could be divided into two phases. The first phase includes those activities within the Community Development Department that are largely within the control of the Department. CDD controls the amount of time and

resources devoted to contract development and as a result can influence the speed with which contracts are developed. The second phase lies outside the Community Development Department and is largely beyond the control of CDD and its management.

Within the controllable portion, there is an absolute minimum amount of time which is required for contract development. This minimum is determined by the ability of the staff, the resources available, and the policy decisions by management as to how complete the contract must be before it is submitted for outside review. Minimum processing time would be the ideal to be sought, but it is not realistically viewed as a goal for regular accomplishment. There is another period of time, the "normal processing time", which would be the expected processing objective to be obtained by most contracts and amendments that go through the CDD system.

Our research indicates that CDD does not establish definite planned goals for processing contracts through its system. The goal that is applied is "as soon as possible" which provides a rather wide performance area within which contracts are processed. This performance area is dictated again by the resources and the level of pressure exerted by management for processing contracts. A review of the records for contracts over the past 18 months suggests that, on the average, it takes between three and four weeks for a contract or an amendment to be processed by the Contracts Section and declared ready to be sent out for further processing. Even during critical periods when the demand to accelerate processing is great, the time required to complete processing is not usually compressed to any significant degree. This is because the sheer volume to be processed overrides the impact of the crisis designation. There are those contracts which have been processed in from one to six days, but this is not the norm.

In reviewing the system, it is apparent that there are peak times throughout the year when contracts and amendments are processed. It is further apparent that these times can, for the most part, be predicted with a fair degree of accuracy. All of the grant year contracts are now scheduled for implementation on a particular date, either July 1, or October 1. The need for many of the amendments can be predicted in advance; for example, those amendments that extend contracts in that interim period between execution of the subsequent year's contract and the expiration of the previous year's contract can be predicted with reasonable certainty.

A review of the evolution of the contract process reveals that contract development within the Community Development Department places the final burden of expeditious processing on the Contracts Section. As a result, there is almost always a crush of contract processing during the peak

contract implementation periods which creates a crisis atmosphere within the Section, increases overtime usage and generally contributes to the friction between the Contracts Section and the contract monitors within the operating divisions.

Our examination found the Department had given insufficient consideration to the preparation of a comprehensive development plan for contract creation. Such a plan would entail the identification of specific target dates for the various aspects of processing within the operating divisions and the Contracts Section so that contracts could be released in accordance with the timetable. The burden for expeditious processing should not be placed on the Contracts Section without recognition by management that the delays associated with such a decision are acceptable to management and to other entities involved, such as the City Council and the contracting agency.

The first step in the development of such a plan is to identify for the Department the expected mean processing time for the various phases of contract development within the Department and to incorporate these times into the management-developed performance schedule. Also included within this performance schedule should be a recognition that there is a processing time that can be identified which is associated with sending contracts outside the Department to the Mayor, CAO and Council. Our findings suggest that this mean processing time is approximately 60 to 80 days which represents 12 to 16 weeks. To illustrate, if an original contract is to be executed for a July 1 start date, CDD would have to have its contract documents prepared and distributed to the appropriate reviewing agency three to four months prior to the beginning of the contract period. If that is not possible, the Department can begin the necessary advocacy to accelerate the processing, and/or begin the preparation of the requisite amendments to extend the current year contract. (See Recommendation No. 11.)

B. Contract Monitoring

Issue

Monitoring efforts by the Contracts Section have not resulted in efficient movement of contracts through the Section.

Discussion

The system for contract monitoring and for overseeing the work of the contract monitoring staff within the Contracts Section could be improved. The present procedure has the contract supervisor assigning individual contracts to staff members for review. An assignment is coupled with a work assignment sheet and a due date. The policy is that individual contract staff receive contracts for certain operating

divisions. In other words, one analyst may receive primarily contracts for Aging or Housing or Human Services. This policy is changed somewhat during those periods of crisis processing when multiple contracts have to be issued. During these periods, a lead analyst is given responsibility for coordinating all of the contract development review activities of individual staff analysts. It does not appear that the deadlines assigned for issuing contracts are well monitored, or that employees are held responsible for completing contracts by a particular date.

A second problem evolves when the contract is sent for further processing through the City review process (Mayor, CAO, Council, Grants Committee, City Attorney, City Clerk). The Contracts Section does not assume an active role in monitoring a contract's progress through this phase. It appears the time required to process contracts through the Contracts Section and ultimately through the remaining elements of the City process could be compressed somewhat if the Contracts Section were to assume a more active role in contract monitoring.

It is suggested that each of the Grants Management Specialist II's be given primary responsibility for a particular contract discipline such as Human Services, Housing, Training and Job Development, etc. Each GMS II would then be assigned staff commensurate with the workload for that particular division. It would be the responsibility of the GMS II under this process to assume full coordinative authority for the review and monitoring of the contracts for the assigned operating division. Individual contract reviewers would receive definite completion dates by which time a contract is to be (1) completed through the Departmental review, and (2) completed through the City process. The Section supervisor would then review on a regular basis, weekly or biweekly, with each supervisor, GMS II and contract analyst where appropriate, the progress on each of the contracts assigned to that particular person.

Contracts sent to the Mayor, CAO, CLA, City Attorney, and City Clerk for processing would be monitored regularly by the responsible contract analyst who would know when the contract is to go before Council, or when the Mayor, CAO, CLA or the City Attorney is expected to complete their review, and keep CDD management informed of the status. This liaison would entail regular contact with and the development of a rapport with the respective City Offices to ensure that contracts are processed as expeditiously as possible. The contract analyst could then serve as a point of coordination for the Community Development Department to keep abreast of the status of a contract and to maintain a central clearing house of contract information regarding the expected completion of the contract cycle. (See Recommendation No. 12.)

C. Workload Information

Issue

There is inadequate workload information in the Contracts Section to determine time spacing and the amount of work required during a program year for the contract staff.

Discussion

The Contracts Section in 1981-82 processed more than 700 contracts and amendments. The staff does not have a firm grasp of how long it takes to process the different types of contracts and amendments. Our preliminary review suggests that the average processing time of a contract or amendment by the Contracts Section is three to four weeks. However, this is unvalidated data; a more detailed analysis is required to determine how many contracts and amendments are processed for each division, what the processing time is for the different kinds of contracts and amendments, such as, original contract, financial amendments, and amendments that do not change the scope or dollar amount of the contract.

Initially, workload information will have to be developed intuitively until such time as the Department has experience with specifically defining the role of the Contracts Section. For example, if the Contracts Section is going to do a complete and total review prior to releasing a contract from the Department, then the workload of the Section will be substantially greater than if it is going to do a form review to determine if a contract is in the proper form. The point to be made is that the Department does not at this time know how long it takes to process contracts through the various internal stages. A review of the accompanying Table B indicates that the workload of contracts and amendments in different operating divisions fluctuates rather dramatically throughout a program year. By combining this information with reliable data on the processing time required to complete the contract at the various stages, the Contracts Section would be in a position to predict for management those times when it is going to be especially busy and when management can expect greater difficulty in processing contracts through the system. With this information, management could predict when the sheer volume of contracts to be processed will overwhelm a limited staff, and then make a judgment as to whether an investment in overtime is needed, or the review process is to be curtailed to expedite contracts processing. (See Recommendation No. 13.)

Table B

Contracts and Amendments - 1980-81

	<u>Total Amendments</u>	<u>Total New</u>	<u>Total Contracts</u>
October	32	80	112
November	69	46	115
December	21	23	44
January	30	17	47
February	58	5	63
March	23	11	34
April	23	10	33
May	39	12	51
June	38	12	50
July	18	51	69
August	41	42	83
September	<u>15</u>	<u>28</u>	<u>43</u>
Total	<u>407</u> 55%	<u>337</u> 45%	<u>744</u> 100%

D. Monitor Training

Issue

The training of contract monitors within the operating divisions is inadequate to provide them with the skills necessary to prepare a uniformly complete contract.

Discussion

The Contracts Section attempts to train contract monitors for the operating divisions in the preparation of a complete contract package. There are, however, certain factors that preclude consistent contract preparation by the operating divisions. First, the general skill level of the various contract monitors varies from monitor to monitor. Second, the controls over contract preparation exerted by the management of the individual divisions vary from one to the other. Third, the failure to define precisely the responsibilities of contract monitors within the operating divisions and the responsibilities of contract monitors within the Contracts Section contributes to confusion as to which group is to do which task. Fourth, the training provided to the operating divisions has been somewhat inconsistent in its application. Part of the deficiency in training can be attributed to the fact that the Contracts Section has been preparing standardized contracts for the Training and Job Development and Aging Divisions while at the same time trying to maintain an ongoing contract processing program for the other divisions.

In the future, it would be appropriate for the Contracts Section to provide training sessions for the contract monitors in the operating divisions well in advance of the contracts cycle. It is envisioned that these sessions would outline specifically the responsibilities of the operating division analyst in the contract preparation, spell out for the operating analyst how a contract will be reviewed by the Contracts Section and what will be the criteria for returning a contract to the operating division for changes, additional information or completion. This training session could also be used to spell out the kinds of information the City Attorney, the CAO and CLA look for in the contract.

This training presupposes that the CDD management has defined precisely the responsibilities of the operating divisions and Contracts Section in the preparation of the contract. It should be made clear at the training sessions that project monitors will be evaluated on their ability to prepare completed contracts, and that the Contracts Section will monitor each analyst's performance and report to Division management those analysts who consistently submit contracts that are not prepared in accordance with the defined standard. In this way management can get control over the contract preparation process and redirect its training to those people needing it. Further, the Contracts Section can monitor its own training efforts and determine if certain divisions are having more difficulty than others, or if certain pieces of information that consistently show up as a need for correction need to be stressed more strongly in future training sessions. (See Recommendation No. 14.)

VII. RENT STABILIZATION DIVISION

The City's Rent Stabilization Program (RSP) began August 30, 1978, with a six-month moratorium on residential rent increases. The moratorium froze rents at the level of May 31, 1978, was in effect from September 30, 1978, through April 30, 1979, and covered nearly all rental units in the City including single family dwellings. It allowed unrestricted rent increases after voluntary quittances, permitted rent increases for capital improvements and cited rehabilitation work, limited the definition of capital improvements to new amenities, made all violations of the ordinance misdemeanors, and provided a landlord-tenant mediation board to handle appeals.

Anticipating expiration of the rent moratorium ordinance, the Council adopted in March, 1979, a one-year rent stabilization ordinance. The ordinance became effective May 1, 1979. Various amendments and extensions continued the program through May 15, 1982. Council action of April 13, 1982, provided for continuation of the program beyond May 16, 1982, through an ordinance that does not require yearly reconsideration.

The Community Development Department is designated in the ordinance to administer the RSP. The CDD Housing Division was initially assigned responsibility for operation of the Program. The Program became a separate Division in 1981.

The Division is headed by a Chief Administrative Assistant, and was authorized 67 positions, including the seven rent adjustment commissioners, for 1982-83. The total 1982-83 budget for the program was \$3,010,956 of which \$1,677,980 was appropriated to CDD and the remaining \$1,332,976 for program support costs. The Division consists of the following major sections:

- Research/Hearings - prepares various research projects, assists in development of ordinance revisions, and develops data on housing markets, dwelling units and vacancy rates; conducts hearings on appeals of Departmental decisions on special rent adjustment and exemption applications.
- Registration - conducts the registration of units and collection of fees and penalties; investigates applications to exempt luxury or substantially renovated rental units from the ordinance and issues certificates of exemption.

- Case Analysis - investigates applications for special rent adjustments including cited rehabilitation and capital improvements.
- Rent Adjustment Commission - authorized by the Rent Stabilization Ordinance to set policy by establishing rules, regulations, and guidelines, and hear appeals on determinations of "just and reasonable" rent increases.
- Public Information - handles public inquiries by telephone or mail and develops public information material.
- Ordinance Enforcement - investigates alleged violations of the ordinance and refers cases to the City Attorney for possible prosecution.

A. Public Information

Issue

The Rent Stabilization Division has not sufficiently concentrated on distributing public information.

Discussion

The Rent Stabilization Division receives as many as 700 telephone information requests per day on the rent hot-line. The large number of calls overloads the staff and the limited capacity of the equipment. It is estimated that 25 to 30 percent of the calls involve tenant problems that are unrelated to the RSP.

To facilitate the management of this call load, the RSD has expanded its tape-recorded information to include referrals to other governmental and private service agencies. It has not been possible, however, to determine how many callers have been successfully referred.

We believe that a reduction in the number of telephone information requests would reduce distractions, improve staff efficiency and permit reassignment of several professional positions to other higher priority tasks. To accomplish this an increased effort to educate the public will be necessary.

The RSD should prepare and distribute a brief, easily understood booklet explaining the purposes of the City's Rent Stabilization Ordinance and the services provided by the RSD. A discussion of other landlord and tenant problems should be provided, including a list of public and private service agencies. Consideration should also be given to contracting

with an advertising or public relations firm for assistance in developing an effective public relations program.

To further increase public awareness, the RSD should expand contacts with landlord and tenant organizations, attempt to secure additional public service broadcast time on radio and television, and hold public meetings whenever possible. (See Recommendation No. 15.)

B. Procedures Manual

Issue

The Rent Stabilization Division has not developed a comprehensive procedures manual to guide staff in the performance of its duties.

Discussion

The RSP provides a variety of services to both landlords and tenants. The Rent Stabilization Ordinance establishes the basis for the Division's activities. Guidelines formulated by the Rent Adjustment Commission, as well as advice from the City Attorney and court decisions, also influence Division operations and procedures.

Since the Program's inception, the various units of the Division have individually developed procedures for the processing of items under their respective review.

These procedures have been revised several times to reflect the various amendments made to the ordinance as well as amendments made to regulations and guidelines by the Commission. While the revision of these procedures has resulted in a more consistent approach to the tasks performed by some units, more effort should be devoted to completing these procedures and organizing them into a manual which will be available to all staff.

Delays in the completion of this manual have resulted in excessive reliance on the skills of a few key personnel and, at times, inconsistent administration of the rent stabilization program. The availability of a Division-wide manual will facilitate staff training, increase management's flexibility in quickly allocating resources in response to workload changes, and increase the staff's understanding of the relationships between the tasks of the various Division units. (See Recommendation No. 16.)

C. Central Records and Information

Issue

The Rent Stabilization Division has no central filing system, records retention program, or centralized source for program information.

Discussion

Each unit of the Rent Stabilization Division maintains its own filing system. There exists no central, Division-wide file system. The unit files are not uniformly organized or easily accessible to all staff. The distributed filing system complicates communication within the Division and reduces management's ability to coordinate activities. The present system also encourages needless duplication of files as various units deal with matters pertaining to the same property.

A Division-wide filing system should be established. The system should combine all activities relating to a particular property and include a check-out system to maintain control of file material. A records retention program should be established in accordance with current City policies. The program should include microfilming of documents where appropriate.

The CDD, with the assistance of the DSB, should investigate development of a Rental Unit Information System as part of the Rental Unit Registration file. The new information system would provide easily accessible status information on RSD activities involving a rental unit or landlord including complaints, rent adjustment requests, evictions, and lawsuits. The existence of such a system would improve productivity by maintaining timely, easily accessible information for staff reference. It would also assist in enforcing the Ordinance by identifying trends in behavior of landlords and tenants. (See Recommendation No. 17.)

D. Use of Word Processing

Issue

The Rent Stabilization Division seldom uses the services of the CDD word processing center.

Discussion

Although the CDD word processing center has automated word processing equipment and staff capable of serving the entire Department, Rent Stabilization Division personnel generally do not utilize the service. The low usage of the

center is blamed by RSD staff on poor quality control and slow turnaround of work. RSD staff also believe their work requirements are unique and can only be fulfilled by a separate word processing system located in the Division.

Section VIII of this Management Audit addresses problems and recommended solutions for the CDD word processing center. Successful implementation of Audit recommendations should remove any impediments to use of the word processing center by the RSD.

We note that much of the RSD's typed correspondence is currently based upon "boiler-plate" material. This is particularly well suited to word processing application. The Division's public information material should also benefit from use of the word processing center by expediting the updating of the material.

We do not believe that the RSD requires a separate word processing system as the CDD word processing center has sufficient available capacity.

Successful application of word processing services to the RSD may eventually permit a reduction in the number of assigned clerical positions. Such reductions are typically suggested by City departments to offset the cost of word processing equipment. Position reductions should be considered in conjunction with the annual City budget. (See Recommendation No. 18.)

VIII. ADMINISTRATIVE SERVICES DIVISION

The Administrative Services Division provides centralized administrative services to the Department's operating divisions. The Division is supervised by a Chief Administrative Assistant and consists of the following sections: Personnel; Office Management; Budget Systems; Accounting; and Clerical.

The Personnel Section is headed by a Department Personnel Officer who is responsible for personnel management, payroll, position control, employee training programs, and participates in some employee relations matters, including disciplinary action involving Department personnel. Section personnel also maintain liaison with other CDD operating divisions on personnel matters.

The Office Management Section, supervised by a Senior Administrative Assistant, is responsible for provision of Department-wide duplication services; control of employee parking; inventory control of City purchased furniture and equipment housed both at CDD offices and subcontractor facilities; inventory and distribution of office supplies; supervision of City pool cars assigned to CDD; interface with building management on repairs, alterations and telephones; provision of messenger service; and coordination for the employee parking shuttle bus.

The Budget Systems Section, supervised by a Senior Administrative Assistant, assists in the preparation of the Department budget, performs some limited budget administration, and has been responsible for development and operation of the Project Control System. The CDD Project Control System was designed to monitor the status of work assignments within the Department and provide cost accounting data on staff time devoted to each of the various grant funded programs. The System is discussed in greater detail in subsection F under this heading.

The Clerical Support Section reports directly to the Administrative Services Division supervisor and primarily consists of the word processing center (WPC).

The Accounting Section is the subject of separate treatment in this report.

A. Position Control System

Issue

The Community Development Department does not have an effective position control system.

Discussion

An effective position control system should provide management information on the number, classification and organizational unit of assignment of positions; current vacancies; status of loaned positions; and interim authorities approved by the Council or the City Administrative Officer.

The Personnel Section of Administrative Services is responsible for Department-wide personnel administration and payroll processing. The Personnel Section staff has attempted to maintain a position control system in the form of a position control notebook. The notebook has not proven to be sufficiently flexible to maintain reliable information on the large number of positions, complicated by the frequent loaning of positions between the Department's major divisions, and the varying interim personnel authorities granted to staff special or short-term projects. As a result, it is often difficult to account for allocated positions.

Department staff should review the various position control systems available and select the appropriate type. Financing should be requested through the annual City budget. (See Recommendation No. 19.)

B. Equipment Inventory Control

Issue

Community Development Department staff has only intermittently conducted equipment inventories at CDD offices or the facilities of private agencies under contract to the City.

Discussion

CDD staff maintains equipment inventory records on equipment located in CDD offices and at private agencies contracting with the City. The equipment inventory is updated as items are acquired or removed from these facilities. Reconciliation and reinventory is only attempted when an agency contract is being closed out or as special circumstances, such as a major audit, make an inventory essential.

CDD contract monitoring staff regularly visit agencies under contract to the City. The contract monitors should

conduct a yearly inventory of equipment purchased with CDD administered funds. The results of these inventories should be reported to Administrative Services Division in order to update inventory records. (See Recommendation No. 20).

C. Policies and Procedures Manual

Issue

The CDD does not have an up-to-date, comprehensive compilation of policies and procedures.

Discussion

Many CDD policies and procedures are updates of the former City Demonstration Agency materials. Numerous attempts have been made to revise the material. However, Department employees still do not have a single reliable, easily referenced policies and procedures manual. This lack of information contributes to confusion and tends to inhibit effective supervision and discipline. Previous CDD attempts to develop new policies and procedures have been caught in a Department review procedure sometimes taking as long as two months to complete.

The CDD should assign staff to develop an up-to-date Department policies and procedures manual. The manual should provide each staff member with an immediate source of reference to the Department's internal policies and procedures. The manual should provide detailed reference materials, procedures, and management's position and philosophy. The manual should specifically address: General Office Policies and Procedures; Employment Policies and Procedures; Employee Benefits; Office Environment; and External Relationships including dealings with the news media. Revisions to the manual should be accomplished in a timely manner through numbered and dated revised pages. (See Recommendation No. 21.)

D. Word Processing System Operation

Issue

The CDD word processing center is not providing an appropriate level of service to most Department staff.

Discussion

Representatives of several CDD divisions have expressed dissatisfaction with the services provided by the word processing center. Representatives of this Office and the Data Service Bureau have reviewed the operation of the center and report the following findings and recommendations:

1. Inadequate word processing center quality control

The word processing center should improve quality control. Center supervisors and operators devote insufficient attention to proofreading. Supervisors do not adequately review the overall quality of work performed by center operations. Quality control includes not only the accuracy of the work and typographical and spelling errors, but also the degree to which the requested intent of document authors was met. (See Recommendation No. 22a.)

2. Word Processing Center Work Control

The word processing center maintains two logs of work coming into and going out of the center. The result of this procedure is a lack of control and an inability to account for the status of documents being processed by the center. (See Recommendation No. 22b.)

3. Operator Evaluation

Word processing operators are paid a substantial bonus for their proficiency in operating word processing devices. It is essential that in return for the bonus, operators demonstrate proficiency in the use of the devices and maintain a maximum level of production. The word processing center does not have adequate standards established and no procedures are consistently followed to evaluate the productivity and competence of word processing operators. (See Recommendation No. 22c.)

4. User Education

The total volume of word processing center activity has not reached the original designed capacity. Most recently, total volume appears to be declining rather than increasing. One cause of this problem seems to be a lack of widely distributed word processing center users manuals describing the center's services, applicability to typing needs, and procedures to be followed. In order to correct this, a continuing program of user education is necessary. Center supervisors should work with users in developing new applications and maintaining the quality and turnaround. The user education effort will have to overcome the almost Department-wide bias against the center. This is particularly important considering the planned installation of a Department-wide dictation system that will be dependent upon the word processing center. (See Recommendation No. 22d.)

E. Location of Payroll Unit

Issue

The organizational placement of the Payroll Unit under the Director of Personnel results in a lack of proper segregation of duties necessary to provide adequate internal control over the payroll process.

Discussion

The Payroll Unit reports to the Director of Personnel within the Administrative Services Division. Proper internal control would dictate that the responsibility for hiring of a new employee to be placed on the payroll be organizationally separate from payroll preparation. (See Recommendation No. 23.)

F. Need for Positive Timekeeping and Project Control

Issue

Efforts to establish a positive timekeeping system have been only partly successful, and a related project control system (PCS) has produced little useful project information or control.

Discussion

Historically, the Community Development Department has experienced difficulties in establishing effective positive timekeeping and automated project control systems. Top management recognizes the need for both management tools and has encouraged efforts to develop them. At the time of the Audit, there was some middle management resistance to such efforts; however, the General Manager has provided assurances that this is no longer a concern.

As related to positive timekeeping, time cards were not received by the Payroll Section from the operating divisions in a timely manner, and were not always signed by supervisors. Payroll clerks were making various contacts in the divisions, and frequently with the concerned employee, when the time card was not received. The General Manager's directive that any employee submitting a late time card would be marked absent without pay was generally not followed.

As related to the project control system, the attempt was made to utilize the automated work assignment and control system and series of output reports that was developed for the City Administrative Officer. While there is a limited similarity, generally the Community Development Department has no similar overriding need for work assignment control and

related manhour accumulation. Also, the CAO's system of output reports, in particular, is not applicable to the CDD.

What is needed in the CDD is a labor distribution (dollar) cost accumulation with relatively simple output reports. This data, now laboriously developed manually, is needed by the Accounting Section to be used as a basis for cost allocations from the grant funds to the administrative fund.

Appendix II to this report provides a selective listing of elements suggested for inclusion in a positive timekeeping system and a labor distribution cost accumulation system. (See Recommendation No. 24.)

G. Training

Issue

Generally, the financial training and background of program monitors is insufficient to perform an appropriate level of financial monitoring of grantees.

Discussion

Program monitors in the Community Development Department are called upon to monitor all phases of grantee performance. CDD program monitors are responsible for all aspects of grantee liaison. The monitors develop contracts between the City and the community based organizations, review the contracts for compliance, provide technical assistance to grantees, and perform periodic onsite audits of financial records, inventory, payroll, as well as program performance evaluations.

The program monitors that we interviewed during the course of this Audit were well versed in program requirements. In fact, most of these individuals had an excellent working knowledge of Federal programs and the applicability of these programs to community based organizations. However, we found that the majority of the monitors were not particularly well versed in financial compliance auditing. In December, 1980, the firm of Coopers and Lybrand, Wilfong and Company conducted one week of fiscal control training for all monitors at CDD. While considered to be an excellent short overview, this approach does not provide an effective solution to the continuing need for supplementary education in the financial area. The overall lack of financial background and training was observed by the Audit Team and mentioned by the monitors themselves and their supervisors as a major problem in the monitoring effort.

This problem gains added significance since the major emphasis of the grantor agencies is the financial accountability

of grantee agencies. It is our observation of the block grant program that program performance by grantee agencies is of minimal concern to the Federal Government. There is, however, a significant amount of emphasis placed on financial accountability. Management of the City of Los Angeles has shown a similar bias toward financial accountability. Rarely, if ever, is funding for a community based organization reduced or stopped due to poor program performance alone. Those agencies which have experienced funding reductions or curtailments, aside from normal budgetary reductions incurred by most grantee agencies, have been found to have also experienced financial irregularities. Therefore, it is critical that program monitors be well versed in financial auditing techniques since this appears to be the main area of program evaluation. Program monitors should maintain their generalist background in order to allow them to continue program monitoring, contract preparation, contract compliance reviews, and technical assistance but the financial training for these individuals should be increased commensurate with the requirements placed upon them by the Federal Government and management of the City of Los Angeles. (See Recommendation No. 25.)

IX. AGING DIVISION

The Aging Division acts as a designated Area Agency on Aging (AAA) operating with Federal Older Americans Act funds as a subgrantee of the California Department of Aging (CDA). An AAA does not provide direct services, but serves as a planning and programming organization to provide direct services to senior citizens through service provider contractors. Through service providers, various social programs such as information and referral bilingual service, escort service, legal service, congregate nutrition at specified sites, and home-delivered meals are administered for the benefit of the aging community. The 101 member Council on Aging represents the interests of older persons on all community policies, programs, and actions and serves as a legislative advocate at the local, State and Federal level.

The AAA's Area Plan for Aging programs describes priority objectives and activities to be undertaken by the AAA. It serves as a blueprint for action reflecting the objectives of the AAA on behalf of older persons, and represents a commitment by the AAA to the CDA (and the planning and service area it serves) as to its role as the planner and advocate for programs funded under the Older Americans Act. The Area Plan is submitted to cover a period not to exceed three years with an annual update and renewal each year for a July 1 - June 30 funding year. The Plan is presented to the CDA and proposes various program allocations based on current and alternative funding levels. The Plan contains extensive detail as to an assessment of needs based on public hearings and consideration of other available social services in specific localities. No comprehensive qualitative assessment of the social services provided during the current program year or for the immediate past program years is presented.

The AAA has been subject to numerous audits and assessments by the CDA in addition to occasional assessments by the Federal Administration on Aging (AoA). These audits and assessments, while primarily dealing with the AAA's financial, administrative, and programmatic performance, do not present a comprehensive qualitative analysis as to the effectiveness of the aging programs. Past assessments, particularly those performed by the CDA, indicated some dissatisfaction with the administration of the AAA. However, a recent assessment indicates that many of the earlier problems have been resolved, and that there has been improvement in the administration of the AAA. From a quantitative standpoint, the AAA has performed relatively well. For example, in the 1980-81 fiscal year aging program expenditures of the grant funds from the Older Americans Act and from matching state funds consisted of 89.3 percent of the total grant funds made available.

During the course of this Audit, the City Council acted to establish a new and separate department of City government to assume the duties and responsibilities of the Aging Division, including its designation as the Area Agency on Aging. The issue statement and recommendation which follow are, therefore, directed to the General Manager of the new department.

Issue

There is an absence of specific performance objectives by which to effectively measure the quality of the aging programs.

Discussion

Although there is a comprehensive effort to assess the needs of the elderly within various localities of the City for the preparation of the Area Plan and the resultant aging programs for specific program years, there is insufficient evaluation of the quality of those programs. Assessments of the AAA's performance by the CDA and the AAA have not particularly dealt with the quality of the specific aging programs. The Council on Aging performs a very valuable service in advising the AAA in its role in the formulation of the Area Plan. The representation of the elderly by the Council on Aging provides a framework for the development of specific performance objectives to provide qualitative evaluation as to the effectiveness of the aging programs. (See Recommendation No. 26.)

Comments received from Aging Division management in the context of finalizing this report indicate that additional information of program effectiveness assessment procedures has occurred following the completion of audit field work.

Outline

PROPOSED CONTRACT PROJECT CONTROL SYSTEM

I. Organizational Changes

- A. Contract processing, like accounting and budgeting, is a service function to the remaining operating divisions and should be relocated to the Administrative Services Division. Such transfer will bring coordinated management to the contracts and word processing activities and contribute to providing uniform direction for these two intimately related activities.
- B. Assign to the Contracts Section responsibility for maintaining the master file of approved subcontractors' Affirmative Action Plans and current insurance coverages.

II. Management Responsibilities for Contract Project Control

- A. Support contract development as a priority by setting goals and objectives for completion of contracts by a particular time and date.
- B. Develop and adopt a contract implementation schedule.
- C. Monitor the implementation schedule and conduct periodic review sessions to determine progress and maintenance of the schedule. Hold operating divisions and the Contracts Section to the maintenance of the production schedule.
- D. Establish clear guidelines for contract review responsibilities between the operating divisions and the Contracts Section.

III. Operating Division Responsibilities

- A. Explain the production schedule to the project monitors. Assign due dates for preparation of individual contracts.
- B. Ensure monitors understand their responsibilities and, in conjunction with the Contracts Section, provide training in contract preparation.
- C. Provide uniform review of all completed contracts prior to their submission to the Contracts Section. Assign

one person or unit to review all contracts. The extent and thoroughness of an operating division's contract review is predicated on management's defining the contract review responsibilities for the operating division analyst and for the Contracts Section analyst. It is suggested that operating division analysts be held responsible for work program review and initial budget reconciliation. Is the program description adequate? Will it give the division or the grant what is desired to be a completed program? Initial budget preparation and reconciliation should be performed within the operating division. The Contracts Section analysts should review contracts for their conformance to a standard format and ensure that all parts of the contract are present.

- D. Hold contract reviewers and monitors responsible for good contract preparation and evaluate contract preparation skills of the analysts, to determine which analysts are performing well and which are not.

IV. Contracts Section Responsibilities

- A. Train operating division staff in contract development by identifying elements to be included in training and standardize the training of all analysts.
- B. Determine the mean processing time for contract preparation so that this information can be used by management in the development of a contracts development calendar.
- C. Develop workload data on the number of contracts, amendments by type and department, and determine if the level of effort for contract development varies by contract or amendment type or by operating division. Using the workload information, assign expected due dates for the completion of all contract/amendments processed within the Section. Conduct a management review to determine if due dates are being met, and if they are not what can be done to expedite the process. Are contract analysts receiving poorly prepared contracts from the operating division? Is additional training required?
- D. Evaluate the performance of contract analysts on their ability to: 1) move contracts through the system expeditiously; 2) meet target dates; 3) train project analysts in operating divisions to develop contracts with a minimum level of errors.

Note: At the time of the Audit the Contracts Section analysts reconcile budget totals prior to submission to the Word Processing Section and the output from word processing is proofread. Contract budgets should be sent directly to word processing, and the output should then be reconciled on a calculator by the Contracts Section. This change should increase the accuracy of the final budget included in the contract.

V. Responsibilities of Contracts Analysts Staff

- A. Assign a GMS II to each operating division as the assigned contract monitor to work with that division's contracts. Allow the contract monitor to interface directly with the operating divisions in the training of operating division staff, and in all phases of contract monitoring.
- B. Assign the GMS I staff to GMS II contract monitors on the basis of project workload. For example, the workload for contracts in the Human Services Division may be significantly greater than the workload generated by the Housing Division. In this case, additional GMS I positions would be assigned as support on the basis of the expected workload for that particular division. This does not preclude the assignment of other staff to a project during critical workload periods. However, when additional staff assignments are made they should work under the direction of the GMS II contract monitor who has responsibility for the contract development of that particular operating division.
- C. Have the assigned contract monitor work with and maintain a close liaison with the operating divisions in the development of the yearly contract implementation schedule for the division. The contract monitor should keep abreast of pending amendment requirements and develop implementation schedules and resource requirements to produce amendments expeditiously. The contract monitor should be responsible for making recommendations to management on the contract development schedules.
- D. The contract monitor should also serve as the initial and primary CDD liaison with the Mayor, the CAO, the CLA, the City Clerk and City Attorney on questions regarding contracts. The contracts monitor should keep the Contract Compliance Section of the Public Works Bureau of Contract Administration informed of all contracts being processed by the CDD. The contract monitors should follow up all contracts issued by the

Section to ensure that they are making reasonable and expected progress through the system, and notify operating divisions and project analysts when contract items are to be heard by Council committee, etc. The primary responsibility of representing the department before the Council committees and the Council on questions regarding contracts rests with the operating divisions, Department management and the project analyst within the operating divisions; it does not rest with the Contracts Section staff. The Contracts Section staff should be viewed as expeditors to move contracts through the system once they have been prepared by the operating divisions.

Appendix II

Elements of a Positive Timekeeping System

1. A source document (time card, time sheet, etc.) signed by the employee and supervisor to provide objective verifiable evidence of the employee's presence or nonpresence for work.
2. A procedure for recording and summarizing the employee's reported time on or off duty such as to provide an adequate audit trail and a clean record of all the employee's compensated time on or off duty.
3. A procedure to assure the timely submission of the source document and the timely recording and summarizing thereof for a given time period.

Elements of a Labor Distribution (dollar) Cost Accumulation System

1. A single source document to be used for both positive timekeeping and labor distribution.
2. A chart of accounts by organization unit, and/or function, and/or project identifying the work effort by the information categories needed by management for decision making and/or for cost reimbursement.
3. A procedure for converting employee hours reported to actual payroll dollars for that employee.
4. A procedure for recording and classifying all hours recorded on the employee's source documents and related payroll dollars by the respective chart of account classifications and summarizing by account classifications total payroll hours and dollars expended.
5. Adequate internal control requires that total payroll hours and dollars equal total labor distribution hours and dollars for a given time period.

